

## Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 L-03 SS-20 NSC-10 DRC-01

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FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 527

LIMITED OFFICIAL USE BUDAPEST 3817

E.O. 11652: N/A

TAGS: ETRN, HU

SUBJECT: CIVAIR NEGOTIATIONS - PAN AM SERVICE TO BUDAPEST

REF: STATE 201773, BUDAPEST 3455

DEPARTMENT PASS CAB

STATE FOR EB/AN, EB/EWT, EUR/EE

1. SUMMARY: SANDOR HUVOS, CHIEF HUNGARIAN NEGOTIATOR FOR 1972 CIVAIR AGREEMENT, WILL AGAIN HEAD HUNGARIAN NEGOTIATIONS. WHEN DIPLOMATIC NOTE REPLYING TO OUR NOTE REQUESTING REOPENING OF NEGOTIATIONS IS READY, HE SAID IT WILL ASK FOR NEGOTIATIONS TO BEGIN IN BUDAPEST AS SOON AS POSSIBLE AFTER JANUARY 3, 1974. HUVOS STATED THAT FOR UNSPECIFIED QUOTE PHYSICAL REASONS UNQUOTE HE COULD NOT COME TO US. HE FURTHER STATED THAT HUNGARIANS WERE NOT IN A LEGAL POSITION TO OFFER FORINT SALES TO PAN AM. PAN AM HE SAID, HAS A FULL RIGHT TO BEGIN IMMEDIATELY MAKING ALL ARRANGEMENTS FOR ITS OFFICE AND FOR ITS FLIGHTS BEGINNING NEXT MAY. END SUMMARY.

2. JOSEPH BASSO, THE NEW PAN AM DIRECTOR FOR HUNGARY, MADE A COURTESY CALL NOVEMBER 27 ON HUVOS, WHO IS LIMITED OFFICIAL USE

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DIRECTOR GENERAL O CIVIL AVIATION IN HUNGARY. COMOFF

ACCOMPANID BASSO. OPERATING CONDITIONS FOR PAN AM WERE CHIEF SUBJECT AND REOPENING OF CIVAIR NEGOTIATIONS WAS DISCUSSED.

3. ON SUBJECT OF NEGOTIATIONS HUVOS SAID HE HAD SENT REPLY TO OUR DIPLOMATIC NOTE ON NOEMBER 9 AND THAT HE HOPED WE WOULD REPLY SOON TO HIS NOE. COMOFF SUGGESTED THAT NOTE MIGHT BE HELD UP AT MIN FOR AFF SINCE EMBASSY HAD NOT RECEIVED IT. HUVOS MADE CALL IMMEDITELY TO QUOTE A VICE MINISTER IN THE MIN FOR AFF END QUOTE AND VERIFIED THAT THIS WAS CASE. HE SAID NOTE WILL SAY THAT HUNGARY WANTS NEGOTIATIONS IN BUDAPEST AS SOON AFTER JANUARY 3 AS POSSIBLE. HE EXPLAINED THAT FOR REASONS HE COULD NOT SEEM TO ARTICULATE HE COULD NOT BE PHYSICALLY PRESENT IN WASHINGTON. HE MADE CLEAR THAT HE WOULD BE CHIEF NEGOTIATOR AND WAS THE FOCAL POINT FOR ANY DECISION-MAKING WHILE STILL PLEADING THAT HIS HANDS OFTEN BOUND BY HUNGARIAN GOVERNMENT PROCEDURAL AND LEGAL LIMITATIONS IN ANY NEGOTIATION. BASSO MADE POINT THAT US ALSO HAD TO MAKE CONCESSIONS AND SO EXPECTED FLXIBILITY FROM HUNGARY.

4. HUVOS RULED OUT SALE OF TICKETS BY PAN AM IN FORINTS ON GROUNDS THAT QUOTE GOVERNMENT END QUOTE AND QUOTE LETISLATION END QUOTE PREVENTED SUCH SALES. BASSO RESISTED ACCEPTANCE OF THIS POSITION AND LATER GAVE SPECIFIC EXAMPLE OF POLISH-US AGREEMENT. MARKET DISCUSSION TOOK LINES OF DISCUSSIONS IN 1972 CIVAIR NEGOTIATIONS, WHITH HUVOS CONCEEDING AT SOME POINTS THE NEED FOR FURTHER BALANCING OF MARKET ADVANTAGES THAN WOULD BE PROVIDED BY SIMPLE PROHIBITION OF FORINT SALES. AT SAME TIME, HOWEVER, HE CONTINUED TO ALLEGE IMPOSSIBILITY OF FORINT SALES.

5. ONE KEY PREMISE OF HUVOS WAS THAT MALEV WOULD CERTAINLY NOT FLY TO US IN THE NEXT FEW YEARS, PRIMARILY DUE TO LACK OF EQUIPMENT. ANOTHER ASSUMPTION UNDERLINED BY HIM WAS THAT DENIAL TO DATE OF DIRECT FORINT SALES TO OTHER FOREIGN AIRLINES MEANT THATT GOH WAS NOT IN POSITION TO EXTEND SUCH PRIVILEGES TO PANAM. THE LIMITED OFFICIAL USE

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THIRD MAJOR PREMISE WAS THAT FOREIGN EXCHANGE SYSTEM OF HUNGARY AND EXISTING LAW AND REGULATIONS MADE SUCH DIRECT FOREIGN SALES IMPOSSIBLE.

6. HUVOS SAID PAN AM WAS FREE TO OPEN OFFICE AND MAKE ALL ARRANGEMENTS FOR PAN AM FLIGHTS TO BEGIN IN MAY. IN RESPONSE TO BASSO'S SEVERAL QUESTIONS ON DIFFICULTIS TO BE EXPECTED IN INITIATING OPERATIONS, HUVOS

CONSISTENTLY REPLIED THAT NO DIFFICULTIES WERE FORESEEABLE AND PLEDGED HIS SUPPORT. THIS WAS IMPORTANT, HE SAID, BECAUSE HE IS KEY PERSONALITY IN SUCH MATTERS. BASSO NOTED THAT ON PREVIOUS DAY HE HAD AGREED TENTATIVELY ON BEHALF OF PAN AM TO TAKE OFFICE IN INTERCONTINENTAL HOTEL COMPLEX WITH OCCUPANCY FROM FEBRUARY 1. HUVOS STATED THAT THERE WAS NO PROBLEM IN PROVIDING PAN AM SUFFICIENT SPACE AT AIRPORT AND ALSO THAT NEW AIRPORT WING WOULD BE COMPLETED IN JUNE.

7. ON SUBJECT OF PAN AM OPERATIONS BASSO NOTED TO COMOFF THAT HE WAS SO FAR IDENTIFIED NO MAJOR OBSTACLES TO OPENING OFFICE EARLY NEXT YEAR.

8. THE MEETING WAS CORDIAL AND USEFUL, BUT IT WAS CLEAR THAT HUVOS WAS NOT GOING BEYOND LAST YEAR'S NEGOTIATING POSITIONS AT LEAST UNTIL NEW NEGOTIATIONS BEGIN. IN THE MEANTIME THE WELCOME TO PAN AM APPEARS CONSTRUCTIVE.

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